

Title of Report	HOUSING REVENUE ACCOUNT (HRA) FINANCE UPDATE - 2025/26 QUARTER 2	
Presented by	Councillor Andrew Woodman Housing, Property and Customer Services Portfolio Holder PH Briefed <input checked="" type="checkbox"/> Yes	
Background Papers	Council 22 February 2025: Housing Revenue Account (HRA) Budget and Rent Setting 2025/26	Public Report: Yes
	Cabinet 26 August 2025: 2025/26 Quarter 1 Housing Revenue Account (HRA) Finance Update	Key Decision: No
Financial Implications	Any financial implications of this report are detailed in the body of the report and the attached appendices. Signed off by the Section 151 Officer: Yes	
Legal Implications	No legal implications arising from this report.	
	Signed off by the Monitoring Officer: Yes	
Staffing and Corporate Implications	Any staffing implications of this report are detailed in the body of the report and the attached appendices.	
	Signed off by the Head of Paid Service: Yes	
Purpose of Report	To provide Cabinet with an update on the financial position on the Housing Revenue Account as at Quarter Two 2025/26.	
Reason for Decision	The Council's Financial Procedure Rules state that the S151 Officer must monitor and control expenditure against budget allocations and report to Cabinet on the overall position on a regular basis.	
Recommendations	THAT CABINET: <ol style="list-style-type: none"> NOTES THAT A BREAK-EVEN POSITION IS CURRENTLY FORECAST ON THE HOUSING REVENUE ACCOUNT FOR 2025/26 BASED ON QUARTER 2 INFORMATION. NOTES THE REVISED HOUSING CAPITAL FORECAST DETAILED IN APPENDIX 2. 	

1.0 INTRODUCTION

- 1.1 This report updates Cabinet on the Housing Revenue Account (HRA) spending from 1 April to 30 September 2025, with a focus on significant variances from approved budgets. Due to finance system backlog and delays in closing the 2024/25 accounts, detailed analysis was not possible; therefore, only major variances are reported, based on available information and discussions between the finance team and budget

holders. The finance team is prioritising completion of the 2024/25 Statement of Accounts, scheduled for release in the coming weeks.

- 1.2 In addition to the Revenue Account, there is an update on the HRA capital programme for the period 1 April 2025 to 30 September 2025 on the proposed resourcing of the capital programme and the level of Council capital resources available, including capital receipts.

2.0 HOUSING REVENUE ACCOUNT

HRA Income and Expenditure

- 2.1 Table 1 below shows the summary income and expenditure forecast outturn and variance for the HRA which is currently forecasting spending to budget at Quarter 2.

Table 1 – HRA 2025/26 Quarter 2 Forecast Outturn Position

	Budget £'000	Forecast £'000	Variance £'000
Income	(21,930)	(21,912)	18
Operating Expenditure	19,164	19,468	305
Operating (surplus)/deficit	(2,766)	(2,444)	323
Appropriations	2,766	2,443	(323)
Net (surplus)/deficit	-	-	-

- 2.2 Appendix 1 contains a more detailed table of the Quarter Two forecast position.
- 2.3 The Council continues to work actively to improve services delivered by the HRA and ensure the impact on tenants is considered in all service delivery. Work on this so far has included:
- Commissioning an independent review of processes.
 - Commissioning contractors to assist in delivering against repairs backlogs.
 - Working on reconfiguration of IT systems to improve efficiency and facilitate improved processes.
 - Preparing a plan for further actions within the service in response to the recent Regulator of Social Housing inspection outcome.

2.4 Variances include:

- £380k forecast overspend on repairs and maintenance, primarily reflecting progress made in addressing historic work-in-progress and outstanding repairs.
- There is a £67k forecasted overspend on supervision and management due to a £233k saving from staff vacancies in some areas, which partly offsets a £341k rise in recharged costs from GF to HRA from higher service cost apportionment and other minor variances.
- £142k interest income received over and above that budgeted, due to continuing elevated market interest rates.

HRA Reserves

2.5 The HRA provisionally has a balance of £20.1m. A minimum balance of £1.0m is maintained to ensure the HRA has sufficient funding to cover unforeseen revenue expenditure, £2.1m is held in Earmarked Reserves and the remaining balances are to be used for capital projects and for the repayment of debt.

2.6 Table 2 below shows a summary of usable HRA reserves.

Table 2 – HRA Usable Reserves forecast 2025/26

Reserve	Provisional Balance at 31/03/25 £'000	In Year Changes £'000	Forecast Balance at 31/03/26 £'000
HRA Earmarked Reserves	2,115	-	2,115
HRA General Balance	1,098	-	1,098
HRA Capital Receipts	6,575	-	6,575
Major Repairs Reserve	2,840	-	2,840
HRA Debt Repayment Reserve	6,218	1,290	7,508
TOTAL	18,846	1,290	20,136

Capital Programme

2.7 The revised 2025/26 budget for the Active Programme HRA Capital Programme is £14.9m. Actual spend at the end of Quarter 2 was £1.4m and forecast outturn is £17.2m, representing 115% of the revised budget resulting in £2.3m overspend which will be covered by budget slippage from previous years.

- 2.8 Table 3 shows the expenditure and forecast against the budget at quarter two, with a more detailed information in Appendix 2.

Table 3 – HRA Capital Active Programme

Scheme	Revised Budget £'000	Qtr 2 Actual £'000	Forecast Outturn £'000	Variance £'000
Stock Investment	9,715	511	9,577	-138
New Supply	2,338	65	5,226	2,888
Estate Improvements	500	150	510	10
Fleet Replacement	100	-	-	-100
Sheltered Scheme Improvements	700	-	400	-300
Scheme Lighting	350	-	150	-200
Tunstall System	-	40	40	40
Major Aids and Adaptations	400	191	450	50
Passive Fire Safety	800	369	800	0
Total	14,903	1,357	17,153	2,250

- 2.9 Within the HRA Active Projects are:

- Stock Investment – This is a project with a revised budget of £9.7m. Actual spend, as at the end of the quarter, was £0.5m representing 5% of the revised budget and the forecast spend is £9.6m up to the end of the 2025/26 financial year, representing 99% of the revised budget. The slippage of £100k anticipated is for roof replacement for smaller schemes will be carried out in 2026/27, as the aim is to address the larger schemes in 2025/26.
- The New Supply programme with a budget of £2.3m, has spent to date of £65k. The forecast outturn is £5.2m (more information is included within Appendix 2), the overspend of £2.9m will be funded by previous years underspend. Much of this slippage is not in direct control of the Council – for example S106 development delays and delivery partner delays.
- Fleet replacement programme with a budget of £100k. This will slip into future years due to a delay in acquiring the new vehicles.
- Sheltered scheme improvements with a budget of £0.7m and nil spend to date. This is predicted to slip £0.3m into future years due to internal resource not being able to complete the procurement process and deliver works onsite.
- A scheme lighting project with a budget of £350k and nil spend to date is forecast to spend £150k in year and £200k to slip into future years. This project is facing delays due to internal resource not being able to complete the procurement process and deliver works onsite.
- There are overspends totalling £0.1m within the Tunstall System and Major Aids and Adaptations which will be covered from underspends elsewhere within the programme.

Policies and other considerations, as appropriate	
Council Priorities:	<p>A well-run council</p> <p>The spending from the budget provides funding for the Council to deliver against all its priorities.</p>
Policy Considerations:	None
Safeguarding:	None
Equalities/Diversity:	None
Customer Impact:	None
Economic and Social Impact:	None
Environment, Climate Change and Zero Carbon:	The Council is forecast to invest £800k on Zero Carbon Home Improvements.
Consultation/Community/Tenant Engagement:	None
Risks:	<p>Although inflation has decreased, the impact of the high inflation means the real purchasing power of the Council's reserves steadily erodes, meaning the same amount of money can purchase progressively fewer goods and services. This erosion of value poses a challenge to the organisation's ability to maintain financial stability and achieve its long-term financial objectives.</p> <p>Real returns (i.e. after inflation) are and have been negative despite investment returns rising. So even if the Council changed its policy to add interest earnings to reserves it still would not solve the whole problem. Indeed, very few investment returns are beating inflation and in general if you wanted higher returns the Council would need to invest for a longer period and/or with riskier assets. This is not something the Council has decided to do.</p> <p>The budgets will continue to be monitored throughout the year to ensure that Council expenditure remains within its funding envelope.</p>
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